

	29-Oct	5-Nov	Change		29-Oct	5-Nov	Change
BIST-100 Index	1522*	1,584	4.0 % ▲	EUR/USD	1.1561	1.1566	0.0 % ●
TRY 2 Year Benchmark Rate	18.37 %**	17.73 %	-64 bp ▼	USD/TRY	9.6030	9.6741	0.7 % ▲
Turkey 5-Year CDS Premium	448	399	-49 bp ▼	EUR/TRY	11.1060	11.2067	0.9 % ▲
MSCI EM Equity Index	1,265	1,264	-0.1 % ▼	Gold (USD/ounce)	1,783	1,817	1.9 % ▲
US 10-Year Bond Rate	1.56 %	1.45 %	-11 bp ▼	Brent Oil (USD/barrel)	84.4	82.7	-1.9 % ▼

bp: basis point

(*) As of October 28, (**) As of October 27

Last week, the COP26 Climate Change Conference was monitored closely in the markets. US nonfarm payrolls growth exceeded expectations while the Fed announced at its meeting last week that it would start reducing asset purchases in November. October PMI data in the Euro Area, which fell short of expectations, indicated that economic activity lost momentum. Annual CPI inflation in Turkey reached its highest level since January 2019 with 19.89% in October. According to the provisional data, foreign trade deficit has narrowed by 39% becoming 1.5 billion USD in the same period. This week, inflation data for October in the US and China will be monitored in global markets. In Turkey, industrial production and labour market statistics for September will be followed.

Last week, the COP26 Climate Change Conference was held.

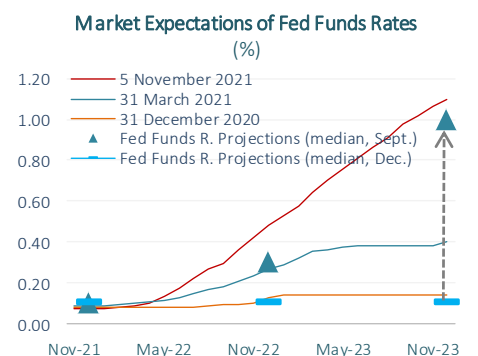
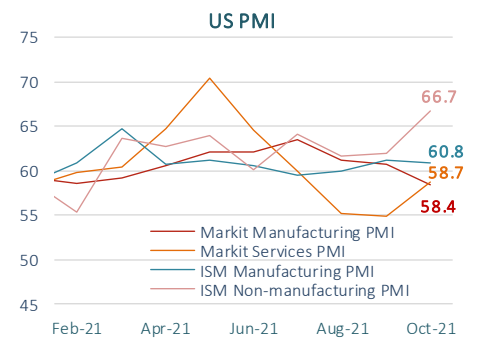
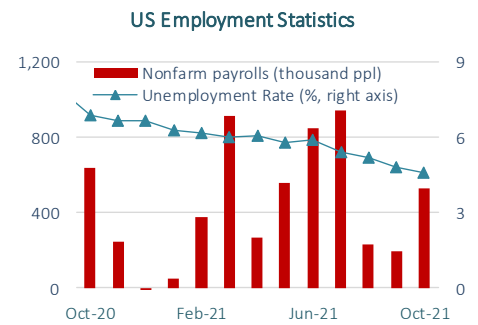
Last week, the World Leaders Summit, which was held as part of the COP26 Climate Change Conference was followed in global markets. More than 120 countries participating in the Summit pledged to prevent deforestation and land degradation by 2030. More than 100 countries, led by the US and the EU, have agreed to reduce their emissions of methane gas which causes global warming by 30% by 2030 compared to 2020. It was also announced that more than 40 countries agreed to phase out coal use.

The US economic outlook remained strong.

Nonfarm payrolls in the US rose by 531K people in October, exceeding market expectations of 450K. In this period, the unemployment rate also fell below estimates with 4.6%. Markit manufacturing PMI, which was previously announced as 59.2 in October, was revised to 58.4, falling to its lowest level since December 2020. On the other hand, the ISM services PMI reached an all-time high of 66.7 in October. Markit services PMI for October also revised upwards to 58.7. Data releases indicated that despite the partial slowdown in the manufacturing industry, economic activity in the US maintained its strong outlook.

The Fed announced reducing its asset purchases as of November.

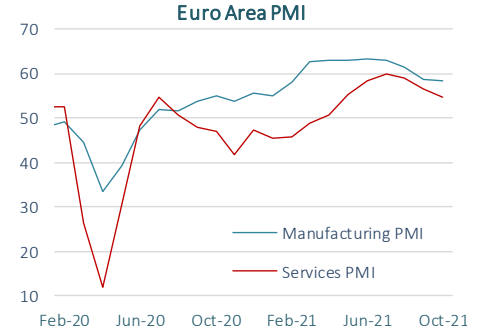
At its meeting, which ended on November 3rd, Fed kept the policy rate unchanged and announced that the amount of asset purchases would be reduced. Fed, which purchases assets worth 120 billion USD every month, decided to reduce this amount by 15 billion USD in November and December. Fed also stated that a similar cut could be made in the coming months, taking into account the course of economic activity. In his speech after the meeting, Fed Chairman Powell stated that it will take time for supply-related problems such as production inefficiencies and supply chain disruptions to recover. Stating that these developments are effective in the rise of inflation, Powell highlighted that monetary policy tools would not be sufficient to solve these problems. Powell also said monetary policy provides strong support to the economy and they expect a robust growth in 2021.



Source: Datastream

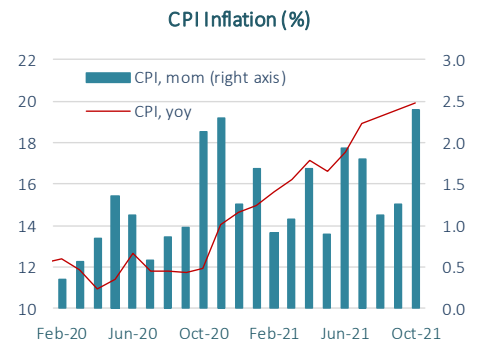
Euro Area PMI came in lower than expected in October.

Manufacturing PMI in the Euro Area was realized as 58.3 in October and indicated that the growth in manufacturing industry activity lost some momentum. Services PMI in the region decreased by 1.8 points compared to the previous month to 54.6 in October. Services PMI, which was standing at its lowest for the last 6 months, pointed out that the activity in the services sector gave signs of a slight slowdown as well. According to the sub-indices, input prices rose to its highest level for the last 20 years due to the deterioration in the supply chain. According to Eurostat, producer prices in the Euro Area increased rapidly by 2.7% yoy in September, pushing annual inflation to 16%.



The annual increase in CPI rose to 19.89% in October.

Consumer prices increased by 2.39% mom in October and reached its highest level since October 2018. Annual CPI inflation also rose to 19.89% in October, the highest level since January 2019. In this period, prices in the clothing and footwear group went up fastest by 7.6% mom and raised monthly CPI inflation by 40 basis points, making the highest monthly contribution to consumer inflation following the food group. In the same period, D-PPI accelerated by 5.24% mom and recorded its fastest increase since September 2018. The annual increase in D-PPI was 46.31%, the highest level of the 2003-based series ([Our Inflation report](#)).

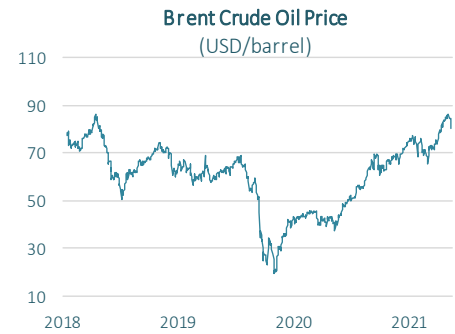


The foreign trade deficit has decreased by 39% in October.

According to the provisional foreign trade data announced by the Ministry of Commerce, the export volume increased by 20.2% yoy to 20.8 billion USD in October, while the import volume increased by 13% to 22.3 billion USD. Thus, the foreign trade deficit has decreased by 39% to 1.5 billion USD in October. As of January-October period, the foreign trade deficit decreased by 16% compared to the same period of the previous year and amounted to 33.8 billion USD.

The contraction in the automotive sector continues.

Automotive Distributors' Association (ODD) figures revealed that the automotive market in terms of units shrank by 40.1% in October compared to the same month of the previous year. The decline in production due to the ongoing global semiconductor material crisis, supply-demand imbalance in the market and the rapid rise in vehicle prices due to higher exchange rates were effective in this development. Annual growth in domestic sales declined to 4.5% in the January-October period due to the contraction in the market.

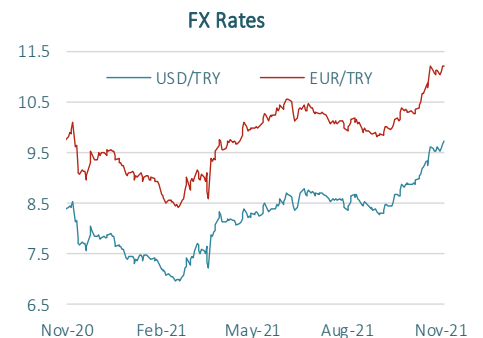


Financial markets...

Last week global markets displayed a mixed outlook. After the Fed's announcement saying that tapering of the asset purchases will start in November, global stock market indices rose. Although expectations of a potential increase in the plan of production has put a downward pressure on oil prices, OPEC+ countries kept their plan unchanged at their meeting last week. Gold prices on the other hand have advanced thanks to the projections that Fed would not be hasty in interest rate hikes.

BIST-100 index closed the week 4% higher at 1,584. TRY continued to depreciate against the dollar and the euro last week where Turkey's 5-year CDS premium decreased by 49 basis points.

This week, October readings of inflation data in the US and China will be monitored in the global markets. In Turkey, industrial production and labour market statistics for September will be followed.



Source: Datastream, IHS Markit, Turkstat

Data Releases

		Period	Consensus	Prior
8 November	Euro Area Sentix Index	November	-	16.9
9 November	USA PPI Inflation, mom	October	0.6%	0.5%
10 November	TR Unemployment Rate	September	-	12.1%
	US CPI Inflation, yoy	October	0.6%	0.4%
	US CPI Inflation, mom	October	1.4%	0.7%
	China PPI Inflation, yoy	October	12.0%	10.7%
11 November	TR Current Account Deficit	September	1.7 billion USD	528 million USD
12 November	TR Industrial Production, yoy	September	10.0%	13.8%
	CBRT Survey of Expectations	November	-	-
	US NY Fed Manufacturing Index	September	72.5	71.7
	US Michigan Consumer Confidence, prelim	September	4.5%	5.1%

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